Improvement in functioning of banks

1439. SHRI S. ANBALAGAN: Will the Minister of FINANCE be pleased to state:

(a) whether Government have initiated any steps to bring improvement in the functioning of public sector banks to match international standards;

(b) if so, the details thereof and the achievements made thereon;

(c) whether it is a fact that public sector banks still lack the best international practices and lag behind the best banks of the world in work ethics and variety of products and services offers; and

(d) if so, the details of the concrete steps proposed to be initiated in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (d) The Reserve Bank of India has prescribed measures for strengthening of prudential supervision coupled with wide ranging steps undertaken by the Government to improve the health of the banking sector. After initiation of reforms in early 1990s, financial performance of the banking sector in general and public sector banks in particular has improved significantly. Balance sheet and profitability indicators *viz.* Funding Volatility Ratio, Return on Assets, Net Interest Margin, Post Income Ratio, NPA Ratios, Provisioning and Classification norms for NPAs, Capital Adequacy Ratio etc. suggest that the Indian banking sector now compares well with the global benchmarks. To facilitate quick and efficient decison-making and to provide them an elbowroom to be able to compete internationally, the Government has announced an Autonomy Package on 22.02.2005 for the public sector banks. Further, the Government has put in place a mechanism to monitor the performance of all public sector banks on the basis of the 'Statement of Intent on Annual Goals' submitted by them.

NPAs of Indian Bank

1440. SHRI V. HANUMANTHA RAO: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that banks like Indian Bank are unable to interact with debtors and settle NPAs over long periods of time;

(b) to what extent is the lethargy and in-efficiency attributed to poor management skills of Indian Bank;

(c) whether it is also a fact that stagnation and durability of employment and non-transfers at Head Office of second level management are largely responsible for this state of affairs;

(d) whether Government would appoint a specific desk officer to examine the lack of constructive functioning of Indian Bank in public interest; and

(e) if so, the steps proposed in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) No, Sir. The banks has taken various pro-active steps facilitating interaction of NPA borrowers for recovery of NPAs. Various steps taken by the Bank has resulted in reduction of gross NPAs from Rs. 3708.85 crore (as on 31.03.1999) to Rs. 731.54 crore (as on 31.03.2005).

(c) As reported by the Bank, there is no stagnation in the second line in the Head Office of the Indian Bank. 33 officers have been promoted to second line Deputy General Manager Cadre during 2005. At the level of second line executives, 16 officers were transferred from/to Head Office of the bank during the period 2003—2005.

(d) and (e) The Government has put in place a mechanism to monitor the performance of all public sector banks including Indian Bank, on the basis of the 'Statement of Intent on Annual Goals' submitted by them.

Mismanagement in Indian Bank

1441. SHRI V. HANUMANTHA RAO: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Indian Bank is still suffering the trauma induced by earlier losses and mismanagement;

(b) what steps are proposed by Government to create a better level of management in Indian Bank by outside recruitment at higher executive levels;